



Infomerics Ratings

# INDEPENDENT CREDIT EVALUATION

INFOMERICS VALUATION AND RATING PVT LTD.

[www.infomerics.com](http://www.infomerics.com)

**INFOMERICS VALUATION AND RATING PVT. LTD.**

**Independent Credit Evaluation Methodology for the Resolution Plan of the  
Residual Debt**

The Reserve Bank of India has issued various instructions aimed at resolution of stressed assets in the economy, including introduction of certain specific schemes at different points of time. In view of the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), the RBI has decided to substitute the existing guidelines with a harmonised and simplified generic framework for resolution of stressed assets. Accordingly, the RBI has issued the guidelines on ‘Resolution of Stressed Assets – Revised Framework’ vide its Circular no. RBI/2017-18/131 DBR.No. BP. BC.101/21.04.048/2017-18 dated February 12, 2018.

**Independent credit evaluation (ICE) framework under the RBI guidelines**

- There is a requirement of credit opinion on timely servicing of the residual debt under the proposed resolution plan (RP).
- The residual debt means the aggregate debt (fund based as well as non-fund based) envisaged to be held by all the lenders as per the proposed RP.
- RPs involving restructuring, including change in ownership, in respect of ‘large’ accounts (i.e., accounts where the aggregate exposure of lenders is Rs.1 billion and above), shall require ICE of the residual debt from a credit rating agency (CRA).
- While accounts with aggregate exposure of Rs.5 billion and above shall require two such ICEs from CRAs, others shall require one ICE.
- Only such RPs which receive an ICE of RP4 or better for the residual debt from one or two CRAs, as the case may be, shall be considered for implementation.
- If lenders obtain ICE from more than the required number of CRAs, all such ICEs shall be RP4 or better for the RP to be considered for implementation.
- ICE is a onetime exercise, where Infomerics would assign the ICE symbols in line with the RBI guidelines, based on the credit risk assessment carried out by it.
- Infomerics would also provide a detailed assessment report to the lender and the same shall not be disclosed to the public.

- ICE enables the lenders to have an independent opinion about the credit risks associated with the entities which are proposing to implement a RP.

### ICE Symbols and definitions

ICE Symbols	Definition
IVR RP1	Debt facilities/instruments with this symbol are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry lowest credit risk.
IVR RP2	Debt facilities/instruments with this symbol are considered to have high degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry very low credit risk.
IVR RP3	Debt facilities/instruments with this symbol are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry low credit risk.
IVR RP4	Debt facilities/instruments with this symbol are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry moderate credit risk.
IVR RP5	Debt facilities/instruments with this symbol are considered to have moderate risk of default regarding timely servicing of financial obligations.
IVR RP6	Debt facilities/instruments with this symbol are considered to have high risk of default regarding timely servicing of financial obligations.
IVR RP7	Debt facilities/instruments with this symbol are considered to have very high risk of default regarding timely servicing of financial obligations.

### Methodology

Infomerics would examine the entire RP in granular detail with respect to its all characteristics and the details provided by the lenders in respect of the same. Further, Infomerics would evaluate the impact that the proposed revised scenario is likely to have on the business operations, the management and the financial position of the entity and the extent of improvement that is likely following implementation of the proposed RP. Infomerics would take detailed cognisance of the underlying assumptions, evaluate feasibility of the same both from technical & financial perspective, correlate such assumptions with the projections under the proposed RP, sensitise such projections under various stressed scenarios and form an opinion on the possible success of the proposed RP.

The evaluation methodology for this purpose encompasses evaluation of the ability of the entity to generate cash flow from operation, the uncertainties pertaining to earning such cash flows, the adequacy of the same to meet the timely servicing of financial obligations and the



current & proposed capital structure. Infomerics would also look into the business model of the entity, competitive position, plan for diversification, the prevalent industry scenario & the future outlook, the technology back-up & the possibility of obsolescence, additional capex requirement, if any. Infomerics would also take into consideration the quality of management, the risk management system in place, the quality & depth of corporate governance, any implicit or explicit third party support and liquidity cushions available in the system.

Further, Infomerics would also follow the similar principles and processes as enumerated in its standard rating methodology for rating of debt facilities/instruments of various types of entities.

### **Why ICE from Infomerics**

Infomerics, although a new-age credit rating agency, has in its credit over 25 years dedicated work experience in various facets of financial services. Infomerics is registered with the SEBI and accredited by RBI. It is rapidly gaining prominence in domestic rating and/or grading space on the back of its strong rating team comprising highly qualified & experienced professionals with rich accomplishments in the credit rating domain. Its eminent Board of Directors and independent Rating Committee of veteran finance professionals ensure high level of governance. Infomerics is positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Disclaimer:** Independent Credit Evaluation of Infomerics is an overall credit quality assessment of the residual debt of the entities as per the applicable framework issued by Reserve Bank of India. Independent Credit Evaluation by Infomerics and the opinion arising therefrom is an opinion on the credit risk of the entity and not a recommendation to buy, hold or sell securities. All information contained in the Independent Credit Evaluation Report shall be construed as statement of opinion, and not an advice, and Infomerics does not give any guarantee of the accuracy, adequacy or completeness of any information which it accepted and presumed to be free from misstatement, whether due to error or fraud. Infomerics is not responsible for any error or omissions or for the results obtained from the use of such information. Infomerics takes into account the information provided by the lenders, entities and any third parties to carry out the evaluation. Infomerics is not obliged to anyone to independently verify, examine or validate any such information. Infomerics is not liable for any damages, loss, expense, liability and the like arising to anyone for any reasons whatsoever.



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